



Transportation Committee Hearing – Monday, March 2, 2015

Support HB 6349 – An Act Concerning Ride-Sharing Companies and Drivers

Continue the regulation of for-hire transportation companies and oppose attempts to deregulate the taxicab and livery industry in Connecticut.

All across the United States, and all across the world, a group of companies now known as Transportation Networking Companies or TNCs, are following disruption theory, to infiltrate local transportation markets. Their tactics include ignoring the municipal and state regulations, saying these regulations do not apply to them, because they are not a transportation company, insisting they are just a software company. Their over-the-top tactics do not stop there. That is merely the beginning. And their way of doing business impacts three different entities. Their way of doing business impacts the public, the cities and states, and finally the longstanding local transportation industry, comprised of tax-paying business which have followed the regulations all along.

Public Safety and Consumer Protection

Drivers are fooled into believing that it is OK to drive commercially, on personal insurance. They point to a TNC insurance policy stating that it provides \$1MM of additional protection beyond their own insurance, if needed. Sadly, those who choose to drive for TNCs do not do what the Insurance Commissioners of most of the states in the United States have encouraged. Right here in Connecticut, on May 6, 2014, Commissioner Leonardi issued a Consumer Alert. The alert states:

"Drivers of TNCs should be aware that while every personal automobile insurance policy differs, nearly all contain exclusions for livery. If a policy contains a livery exclusion, this means that the policy generally will not provide coverage for liability incurred while driving passengers in exchange for remuneration, other than an expense-sharing arrangement, such as a carpool. The Department advises drivers to carefully read their policy to determine specific exclusions and to contact a broker or agent to discuss their insurance needs when driving for a TNC."

The similar alerts in other states have also warned riders of the potential pitfall of riding with a driver who is uninsured in this case. Riders need to read the fine print disclaimer that states that by using the app, they acknowledge that the TNC cannot be held responsible. Riders think they are using this large transportation company, when they are really entering into a contract with John Doe, the independent contractor. The public does not know all of the vetting that the longstanding taxi industry has gone through, and why. And then they do what all of us have told our children from a young age – never get into a car with a stranger. And unfortunately, we can read the results. And two additional notes relative to personal

safety and consumer protection: first, please read the disclaimer riders agree to when getting into an Uber vehicle; and two, is "surge pricing" what we want to provide to the public in Connecticut?

Impact on Cities and States

Relative to cities and states, decision-makers are being pushed into a corner by the TNCs. TNCs use their marketing power through social media, Internet ads, and beer commercials on TV, to get the unsuspecting public to blitz the market. Decision-makers are tempted to put aside the reason why regulations were put in place to begin with, public safety and consumer protection. Those decision-makers who realize that the only reasonable thing to do is to issue a cease and desist order, are met with the TNCs ignoring such orders. In fact, they issue memos to their drivers stating that if they still want to do business in that city, and they get fined, the TNC will pay the fine. And, on the subject of money, how are taxes collected from TNC drivers? The TNCs certainly aren't paying local taxes.

Similarity to the Incumbent Industry

Taxis are registered to provide services within set geographic locations. They accept phone and software "hails", as well as street hails. They operate with a set fee structure. They use a certified meter. The TNCs do the same. A smartphone serves as both the hailing device, and the meter. The smartphone "meter" is not certified by the city or state, unlike that used by the taxi. The difference between the two entities is:

1. Financial responsibility (insurance, taxes, etc.)
2. Drivers vetted by government entities, and
3. Vehicles complying with safety standards dictated by government entities

Do we want to make the incumbent industry fail because we allowed a new entity to play with a lower cost-basis, due to reduced safety standards?

The solution

TNCs need to be regulated. And since they operate the same way that taxis do – a hailing service with fees determined by a meter measuring time and distance – they need to be regulated in the same way that taxis are. **The New England Livery Association supports HB 6349.** Please let us know how we can help.

Sincerely,



Rick Szilagyi
Executive Director